GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3299
ANSWERED ON:18.12.2015
Realisation of Loan Amount
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Will the Minister of FINANCE be pleased to state:

(a) whether the Government has entrusted private companies for realisation of loan amount due to nationalised banks, if so, the details of such private companies along with the reasons therefor;

(b) whether the Government has noticed that the private companies entrusted by the nationalised banks for realisation of Non-Performing Assets of the bank from the customers adopted illegal means for the same; and

(c) if so, the action taken by the Government to protect the customers of nationalised banks?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE

(a) to (c): The Reserve Bank of India (RBI) vide its circular dated November 3, 2006 issued guidelines on Managing Risks and Code of Conduct in Outsourcing of Financial Services by banks. Banks have been given the operational freedom to outsource activities related to financial services. It is entirely for the banks to take a view on the desirability of outsourcing a permissible activity related to financial services having regard to all relevant factors, including the commercial aspects of the decision. Necessary safeguards for addressing the risks inherent in such outsourcing are put in place, in the above mentioned guidelines.

RBI has also issued instructions, vide its Master Circular on Loans and Advances − Statutory and other restriction (updated on July 01, 2015) regarding recovery of loans and engagement and training of recovery agents, methods to be followed by them, as well as for avoiding adoption of uncivilized, unlawful and questionable behaviour of recovery agents during the process of recovery, as banks are responsible for the acts of their agents. These are applicable to all Scheduled Commercial Banks, Regional Rural Banks and even Primary Cooperative Banks.

In order to mitigate the problems faced by the customers, banks and their agents are also required to follow the 'Code of Bank's Commitment to Customers' issued by the Banking Codes and Standards Board of India (BCSBI) and guidelines on Fair Practice Code for the Lenders.

Further, non-observance of RBI guidelines on engagement of recovery agents by banks has been incorporated in the Banking Ombudsman Scheme as a ground of complaint with effect from February 03, 2009.

RBI has also issued guidelines to banks on Fair Practices Code for Lenders. In terms of these guidelines the banks were advised to frame the Fair Practices Code duly approved by their Board of Directors. The Code inter alia requires that in the matter of recovery of loans, the lenders should not resort to undue harassment viz. persistently bothering the borrowers at odd hours, use of muscle power for recovery of loans, etc.
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